



State of Wisconsin Medicaid HIT Plan
Version 3.0
Appendix B
Hospital Payment Calculation Methodology

CONTENTS

1. INTRODUCTION	3
1.1. HOSPITAL PAYMENT CALCULATION FORMULA	3
1.2. HOSPITAL PAYMENT CALCULATION DATA INPUTS	3
1.2.1. <i>Overall EHR Amount</i>	4
1.2.2. <i>Medicaid Share</i>	4
1.3. APPLYING FOR A PAYMENT.....	6
2. CALCULATION EXAMPLE	8



1. Introduction

This document represents the Wisconsin Medicaid EHR Incentive Program's logic and methodology behind its incentive payment calculation for participating Hospitals. This methodology is the result of a blending of both Federal mandate and discretionary State decisions pertaining to sources of data, the reporting of that data and disbursement of incentive payments to qualifying Hospitals.

As stated above, elements of this document are drawn directly from the Medicare and Medicaid Programs; Electronic Health Record Incentive Program; Final Rule published on July 28, 2010. These elements include:

- Methodologies outlined under Section 1.1; the "Hospital Payment Calculation Formula"

Other elements of this document were created through the discretion of the State of Wisconsin's Medicaid Program. These elements include:

- Data sources included under Section 1.2 and subsequent subtitles referring to "Hospital Payment Calculation Data Inputs"

1.1. Hospital Payment Calculation Formula

The Wisconsin Medicaid EHR Incentive Program will calculate the Medicaid EHR Hospital incentive payment using the calculation outlined in the Medicare and Medicaid Programs; Electronic Health Record Incentive Program; Final Rule published on July 28, 2010.

Aggregate Medicaid EHR Hospital Incentive Payment = (**Overall EHR Amount**) * (**Medicaid Share**)

Overall EHR Amount = {Sum over 4 years of [(Base Amount + Discharge Related Amount Applicable for Each Year) * Transition Factor Applicable for Each Year]}

Medicaid Share = {(Medicaid Inpatient Bed Days + Medicaid Managed Care Inpatient Bed Days) / [(Total Inpatient Bed Days) * (Estimated Total Charges – Charity Care Charges) / (Estimated Total Charges)]}

The Aggregate Medicaid EHR Hospital incentive payment amount is the total amount the hospital is eligible to receive in Medicaid EHR incentive payments over the length of the program.

1.2. Hospital Payment Calculation Data Inputs

When calculating hospital incentive payments, data will come from two distinct sources, Medicare Cost Reports and the Wisconsin Medicaid Agency Data Warehouse/Decision Support System (DW/DSS). For Hospitals who started program participation prior to Program Year 2013, all data points will be based on the hospital fiscal year (a 12-month period) that ends in the Federal Fiscal Year (FFY) before the hospital's fiscal year that serves as the first Payment Year. For Hospitals who initiates program participation in Program Year 2013 or after, all data points will be based on the most recent continuous 12-month period for which data are available prior to the Payment Year. The Wisconsin Medicaid Agency has elected to use Medicare Cost Reports as a source of data in an effort to remain consistent with data used in other federal reporting programs including those pertaining to Dually Eligible Hospitals in the Medicare EHR Incentive Program. The Wisconsin Medicaid Agency will work closely with Hospitals that do not submit Medicare Cost Reports (Children's Hospitals), to ensure the proper reporting of information for the payment calculation.

The sections that follow detail all of the data points and the distinct sources for the information.



1.2.1. Overall EHR Amount

Data Input Name	Description	Source of Data
Base Amount	\$2,000,000	Statute Defined
Discharge Related Amount	\$200*(the 1,150th through the 23,000th discharge for year 1, for subsequent years use discharges adjusted for the provider's average annual rate of growth for the most recent 3 years for which data are available per year)	<ul style="list-style-type: none"> Discharges from historical years (prior to 2010) will come from Medicare Cost Report – CMS 2552-96 Worksheet S-3 Part I, column 15, line 12 Discharges from current years (2010 and beyond) will come from Medicare Cost Report – CMS 2552-10 Worksheet S-3 Part I, column 15, line 14
Transition factor	<ul style="list-style-type: none"> Year 1 = 1 Year 2 = 0.75 Year 3 = 0.50 Year 4 = 0.25 	Statute Defined

Figure B.1: Hospital Payment Calculation Factors

1.2.2. Medicaid Share

Data Input Name	Description	Source of Data
Medicaid Inpatient Bed Days*	Medicaid (Title XIX) Fee for Service Inpatient Bed Days for the Hospital's cost reporting period	Wisconsin Medicaid Agency Data Warehouse/Decision Support System (DW/DSS)
Medicaid Managed Care Inpatient Bed Days*	Medicaid (Title XIX) Managed Care Inpatient Bed Days for the Hospital's cost reporting period	Wisconsin Medicaid Agency Data Warehouse/Decision Support System (DW/DSS)



Data Input Name	Description	Source of Data
Total Inpatient Bed Days	Total Inpatient Bed Days for the Hospital's cost reporting period	Medicare Cost Report CMS 2552-96 Worksheet S-3, Part I, column 6, sum of lines 1 and 6-10 or Medicare Cost Report CMS 2552-10 Worksheet S-3 Part I, column 8, sum of lines 1 and 8-12
Total Charges	Total Inpatient Charges for the Hospital's cost reporting period	Medicare Cost Report CMS 2552-96 Worksheet C, Part I, column 8, line 101 or Medicare Cost Report CMS 2552-10 Worksheet C Part I, column 8, line 200
Charity Care Charges	Total Charity Care Charges for the Hospital's cost reporting period	Medicare Cost Report CMS 2552-96 Worksheet S-10, line 12 or Medicare Cost Report CMS 2552-10 Worksheet S-10, column 3, line 20

Figure B.2: Medicaid Data Inputs for Hospital Payment Calculation

*Detail on the method used to identify these data points is explained in Section 1.2.2.1

1.2.2.1. Medicaid Inpatient Bed Days and Medicaid Managed Care Inpatient Bed Days Query Methodology

Currently, the integrated delivery of benefit programs under the Wisconsin ForwardHealth Program leaves Acute Care Hospitals and Children's Hospitals unable to distinguish between Medicaid (Title XIX) and CHIP (Title XXI) encounters. In order to assist in isolating Title XIX encounters, the Wisconsin Medicaid Agency will calculate each hospital's Medicaid (Title XIX) inpatient bed day proportion using Fee-For Service claims and Managed Care encounter data available through the State's DW/DSS.

For the purposes of this calculation, Medicaid (Title XIX) inpatient bed days are defined as:



1. The number of days patients spent in an operating bed at the census taking hour (midnight) during the reporting period where Medicaid paid all or part of the day's services. One inpatient bed day is counted for patients admitted and discharged on the same day. The following exceptions apply:
 - i. Normal birth nursery bed days (DRG 795) are not considered inpatient-bed days based on the level of care provided during a normal nursery stay
 - ii. Observation patient bed days (Revenue Codes 0769, 0760, 0761, and 0762) are not considered inpatient-bed days
 - iii. Eligible Hospitals participating in the Wisconsin Medicaid EHR Incentive Program may not include Medicare crossover patients in the numerator when calculating the Medicaid share

The Wisconsin Medicaid Agency will refer to the following conditions when aggregating institutional claims into a hospital encounter.

Condition	Description
Hospital	Only encounters attributed to the hospital through the billing provider NPI on the submitted encounter will be included in the aggregation of Medicaid Inpatient Bed Days.
Claim Types	Hospitals only participating in the Medicaid EHR Incentive Program will include inpatient encounters attributed to the hospital in their aggregation of Medicaid Inpatient Bed Days only. If a hospital is participating in both the Medicaid and Medicare EHR Incentive Programs as a dually eligible hospital, inpatient bed days cannot be counted in the Medicaid Share numerator if they would count for purposes of calculating the Medicare share. Thus, in this respect the inpatient bed day of a dually eligible patient could not be counted in the Medicaid share numerator. In this case Cross-Over claim types may not be included in the aggregation of Medicaid inpatient bed days
Claim Status	Medicaid inpatient bed days will only include days for which Medicaid paid for the encounter. Encounters which have been denied, for any reason, will not be included. In addition, Zero pay Medicaid eligible days are also excluded from the numerator.
Payer	To clearly differentiate Title XIX encounters from Title XXI, the Wisconsin Medicaid Agency will use internal fund codes assigned to all managed care and fee-for-service encounters. A fund code is a predetermined combination of attributes, which identifies any financial transaction in the State of Wisconsin's Medicaid Management Information System (MMIS) ForwardHealth interChange. Only Medicaid Title XIX assigned fund codes will be included in the Medicaid Share aggregation of Medicaid inpatient bed days.
Date of Service / Day Aggregation	When calculating inpatient bed days, the day of admission will be counted as day one. The day of discharge is not counted, unless the same as the day of admission. For example 4/1 - 4/1 will be counted as one day per patient. Under this clarification 4/1 - 4/2 also will be counted as one day per patient. An inpatient stay during the period of 4/1 - 4/3 will be counted as two days per patient.
Newborn Exclusion	Normal birth nursery bed days, identified through use of DRG 795, are not considered inpatient-bed days based on the level of care provided during a normal nursery stay. Normal newborn birth discharges will be excluded from the Medicaid Patient Volume Numerator.
Observation Day Exclusion	Excluding observation patients bed days, defined as Revenue Codes 0769, 0760, 0761, and 0762 are not considered inpatient-bed days.

Figure B.3: Hospital Encounters Conditions

1.3. Applying for a Payment

The Wisconsin Medicaid Agency will calculate the Aggregate Medicaid EHR Hospital incentive payment amount during Payment Year 1 for each hospital. This incentive payment amount is the total amount the hospital is eligible to receive in Medicaid EHR incentive payments over the length of the Medicaid EHR Incentive Program. Hospital payments will be disbursed over a period of three years, with fifty (50) percent



of the aggregate disbursed in Payment Year 1, forty (40) percent of the aggregate disbursed in Payment Year 2, and ten (10) percent of the aggregate disbursed in Payment Year 3.

During the application process, hospital will be responsible for obtaining all of the data points from the sources listed under Section 1.2 of this document and entering into the ForwardHealth Portal application as depicted below:

Figure B.4: Application Screen for entering data elements

* The Wisconsin Medicaid Agency will provide the Medicaid inpatient bed day amount to each Hospital prior to their application for a Medicaid EHR incentive payment.

Following the publication of the Stage 1 Meaningful Use Final Rule, CMS provided guidance that delivered flexibility for new hospitals, with less than four years of total discharge data (cost reports), to participate in the Medicaid EHR Incentive Program. CMS determined it is acceptable for new hospitals to apply with only two years of total discharge data. In order to maintain consistency with CMS policy, the Wisconsin Medicaid Agency will accept applications from Hospitals with less than four (4) years of cost report data. Under the Wisconsin Medicaid Agency policy, for the years where the hospital does not have total discharge data, the hospital will repeat the oldest cost report year's total discharge data. For example, if a hospital's 2012 total discharges are 17,000 and the 2011 total discharges are 16,500, the hospital would enter 16,500 for 2010 and 2009 (see table below).

Cost Report Data Available		Cost Report Data Unavailable	
Base Year = n	n-1	n-2	n-3
2012	2011	2010	2009
17,000	16,500	16,500	16,500

Figure B.5: Cost Report Data Example



2. Calculation Example

Calculation of Medicaid Electronic Health Record (EHR) Hospital Incentive Payment

Red areas are for data input from Medicare Cost Reports

The Aggregate Medicaid EHR Hospital Incentive Payment is calculated by multiplying the Overall EHR Amount by the Medicaid Share.

Steps 1 - 5 calculate the Overall EHR Amount by summing over 4 years (a) the base amount of \$2,000,000 plus (b) the discharge related amount, defined as \$200 for the 1,150 through 23,000 discharge, and then applying the transition factor to pro-rate the amount for each payment year of the calculation, 100% in year 1, 75% in year 2, 50% in year 3, and 25% in year 4.

Step 6 calculates the Medicaid Share by calculating the percentage of the hospital's inpatient bed days that are attributable to Medicaid, and adjusting for charity care.

Step 7 is where the product of Steps 1-5 and Step 6 are multiplied to obtain the Aggregate Medicaid EHR Hospital Incentive Payment

Step 8 calculates the distribution of the Aggregate Medicaid EHR Hospital Incentive Payment over the 3 years of the Wisconsin Medicaid EHR Incentive Program.

Step 1 Calculate the average annual growth rate for the last 3 years of available data using previous hospital cost reports (For years 2 - 4, the growth rate is assumed to be the previous 3 years' average.)

	Prior Year	Current Year	Increase/ Decrease	Growth Rate	Data Source (CMS 2552-96 Version)
Fiscal Year 2007	16,000	16,500	500	3.13%	Worksheet S-3, part I, col 15, line 12
Fiscal Year 2008	16,500	17,000	500	3.03%	Worksheet S-3, part I, col 15, line 12
Fiscal Year 2009	17,000	17,500	500	2.94%	Worksheet S-3, part I, col 15, line 12
Total Increase/(Decrease)				9.10%	
Average 3 year Growth Rate				3.03%	

**Step 2 Calculate the discharge related amount using the annual growth rate to adjust discharges for years 2 - 4**

Total Discharges (regardless of payer)

22,000

Data Source (CMS 2552-10 Version)

Worksheet S-3, Part I column 15 line 14

	Per Discharge Amount	Total Discharges	Disallowed Discharges	Allowable Discharges	Total Discharge Related Amount
Year 1	\$ 200	22,000	1,149	20,851	\$4,170,200
Year 2	\$ 200	22,667	1,149	21,518	\$4,303,615
Year 3	\$ 200	23,354	1,149	21,851	\$4,370,200
Year 4	\$ 200	24,063	1,149	21,851	\$4,370,200

Step 3 Calculate the Initial Amount for 4 Years

	Year 1	Year 2	Year 3	Year 4
Base Amount	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Discharge Related Amount	\$4,170,200	\$4,303,615	\$4,370,200	\$4,370,200
Step 3 Total	\$6,170,200	\$6,303,615	\$6,370,200	\$6,370,200

Step 4 Apply Transition Factor

	Year 1	Year 2	Year 3	Year 4
Transition Factor	1.00	0.75	0.50	0.25



Step 4 Total	\$6,170,200	\$4,727,711	\$3,185,100	\$1,592,550
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Step 5 Calculate Overall EHR Amount for 4 Years	\$15,675,561
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Step 6 Calculate Medicaid Share

Medicaid Share = (estimated Medicaid inpatient-bed-days + estimated Medicaid HMO inpatient-bed-days) / (Total Inpatient-bed-days x ((est. total charges - est. charity care charges) / est. total charges))

The integrated delivery of benefit programs under Wisconsin ForwardHealth, presents a barrier to Acute Care Hospitals and Children's Hospitals in identifying Medicaid (Title XIX) Inpatient Bed Days. As hospitals are unable to differentiate between Medicaid (Title XIX) and CHIP (Title XXI) encounters. To help alleviate this barrier, the Wisconsin Medicaid Agency will calculate the hospital Medicaid (Title XIX) Inpatient Bed Day portion of the Medicaid Share based on the Fee-For Service claim and Managed Care encounter data available through the State's Data Warehouse/Decision Support System (DW/DSS).

Total Medicaid Inpatient Bed Days	1,750
Total Medicaid Managed Care Inpatient Bed Days	135
Total Medicaid and Managed Care Inpatient Bed Days	1885

Total Hospital Inpatient Bed Days	5,000
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Total Inpatient Hospital Charges	5,000,000
Total Charity Care Charges	1,000,000
Total Hospital Charges - Charity charges	4,000,000
Non-charity Care Percentage	80.00%
Total Hospital Inpatient Bed Days excluding charity	4,000

Medicaid Share	47.13%
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Data Source

Wisconsin Medicaid Agency will supply
Medicaid Title XIX Inpatient Bed Days
Wisconsin Medicaid Agency will MCO Medicaid
Title XIX Inpatient Bed Days

Worksheet S-3, Part I column 8 sum of lines 1
and 8-12

Data Source (CMS 2552-10 Version)

Worksheet C part I, col. 8, line 200
Worksheet S-10, column 3 line 20

Note: If neither charity care data nor
uncompensated care cost data are available,
Wisconsin will set the charity care ratio to 1.

Step 7 Calculate Aggregate Medicaid EHR Hospital Incentive Payment Amount

Overall Amount for 4 years	\$15,675,561
Medicaid Share	47.13%



Aggregate Medicaid EHR Hospital Incentive Payment Amount	\$7,387,108.25
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Step 8 Calculate Annual Incentive Payment Amount		
	Percentage	Payment
Year 1 Payment	50%	\$3,693,554.13
Year 2 Payment	40%	\$2,954,843.30
Year 3 Payment	10%	\$738,710.83

Figure B.6: Hospital Payment Calculation Example